

ABSTAINERS' INSURANCE COMPANY

ANNUAL REPORT 1970

AR05

GROSS PREMIUMS WRITTEN

1964	\$ 626,297
1967	2,037,570
1970	3,151,514

INVESTMENT PORTFOLIO

1964	\$ 658,207
1967	2,613,940
1970	4,169,489

CLAIMS INCURRED

1964	\$ 340,197
1967	960,518
1970	2,587,093

INVESTMENT INCOME AND CAPITAL GAIN

1964	\$ 37,817
1967	104,861
1970	231,740

GROWTH FACTS

The Company commenced business October 1, 1956 and now insures over 40,000 automobiles in the provinces of Ontario, Alberta and Manitoba.



ABSTAINERS' INSURANCE COMPANY

(Incorporated under the laws of the Province of Ontario)
Simcoe, Ontario

BALANCE SHEET

as at December 31, 1970 (with comparative figures for 1969)

ASSETS

	1970	1969
Cash	\$ 107,615	\$ 21,785
Investments — at amortized cost (market value — \$3,875,023)		
Canadian government and municipal bonds	\$1,165,111	
Other bonds and debentures	1,725,643	
Preference stocks	573,958	
Common stocks	704,777	4,169,489
Net premiums receivable	35,508	24,388
Other amounts receivable	12,650	9,500
Accrued interest on investments	46,041	31,804
Corporation income taxes refundable	—	67,109
Special Refundable Corporation Tax	—	1,579
Trust funds for claims of reinsurers	345,370	82,252
	<u>\$4,716,673</u>	<u>\$4,373,551</u>
On behalf of the Board:		
J. D. McNie, Director		
S. M. Fletcher, Director		
The notes to the financial statements form an integral part of the statements.		
Excess of book value of bonds in default and stocks over market value	113,891	20,757
Total Admitted Assets	<u>\$4,602,782</u>	<u>\$4,352,794</u>

LIABILITIES

Excess of outstanding cheques over
Provision for unsettled claims and
adjustment expenses
Unearned premiums at 85%
Accounts payable and accrued char
Advance premiums
Reinsurance premiums payable and
and claims deposit
Provision for unsettled claims of rei
for which trust funds are held
Total Liabilities

CAPITAL STOCK and SURPLUS

Capital Stock

Authorized:

2,000 5% cumulative preference
each redeemable at par
300,000 common shares at \$1 e

Issued and Fully Paid:

2,000 preference shares
126,614 common shares

Contributed Surplus — premium on
capital stock

Earned Surplus

Less Unadmitted Assets

Surplus for the Protection of Policy

AUDITORS' REPORT

To the Shareholders of Abstainers' Insurance Company:

We have examined the balance sheet of Abstainers' Insurance Company as at December 31, 1970 and the statement of profit and loss and earned surplus for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We examined the calculation of the reserve for unearned premiums and the provision for unsettled claims and adjustment expenses as at the above date and are satisfied that they are adequate.

Simcoe, Ontario, February 16, 1971.

In our opinion these financial statements present a true and fair view of the financial position of the company as at December 31, 1970 and the results of its operations for the year then ended, with generally accepted accounting principles applied throughout the preceding year.

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For the Year ended December 31, 1970
(with comparative figures for the year 1969)

1. The total remuneration received during the year by the directors was \$5,050.00.
2. The company has losses totalling \$516,924 deductible from taxable income in future years.
3. The loss for 1970 for tax purposes has been increased by the deduction of unearned premiums in excess of the provision recorded in the accounts. The difference is applicable to future periods in which the provision for unearned premiums decreases resulting in a lesser deduction for tax purposes than that recorded in the accounts. At current rates the reduction in the year or years in which the loss is deducted from taxable income but resulting from the provision for the current year would be \$2,724 with an accumulation to date of \$101,424. Due to the contingencies involved, this amount is not recorded as a liability in the accounts.

Report to Shareholders

On behalf of your Board of Directors, I submit the Company's Annual Report and the Audited Statement for the year ended December 31, 1970.

The increase in premium income, after Facility adjustments, was 3% over 1969. Earned premiums increased by 9% in the same period.

Unfortunately, net earnings were eliminated in the current year because of two principal factors: (1) The cumulative effect of inflation on some of our older claims; (2) A very difficult year in the investment field.

The trend toward much higher automobile losses, which began in June of 1968, and accelerated during 1969, became even more noticeable in 1970. While the experience on claims occurring in 1970 actually improved over that of 1969, substantial amounts had to be added to many reserves on claims for previous years, principally for 1969. This was due to substantially higher court judgments, and inflationary demands through third party solicitors. A very few years ago, less than 10% of our Bodily Injury claims were handled by solicitors, now a definite majority are in this class, thus increasing the cost of an average settlement. Garage repair bills have reflected the ever increasing cost of parts and wages.

Substantial increases in rates were introduced in both Alberta and Manitoba in 1970. Alberta continued to show heavy losses, partly because of increases in older claims, but also because the number of injuries in the province continued to increase during the first eleven months of 1970, this in spite of a reduction in the number of accidents and deaths. In Manitoba one unusually large loss dominated the experience in that province.

Our Fire and Personal Property Department continued to expand in 1970. Sales increased by 14%. Claims continued to be reasonable and, now that the first three year period is completed, renewals should build our volume more rapidly.

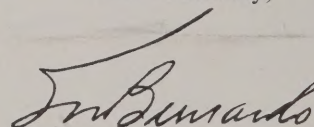
Investments have a book value of \$4,169,489. Nearly \$100,000 of cash held on behalf of reinsurers has been withdrawn from the investment portfolio and is now part of \$345,370 cash held in the bank for this purpose. Investment income from dividends and interest increased from \$171,514 to \$229,541, but net capital was decreased by \$113,891 because of the difference between the cost and market value of common and preferred stocks and bonds in default at December 31, 1970. This relationship showed a very substantial improvement in the last quarter, and the gap could easily be eliminated by the end of the first quarter in 1971. The difference between the cost and market value of total investments was \$294,466, which represents a deficit of 7%. The actual yield to cost price of investments in 1970 was 6.29%.

Substantial rate increases have been introduced in 1971 for the Provinces of Ontario and Alberta, and a minor increase in Manitoba where there is a likelihood of the Company's operations being phased out of the automobile insurance business by the Government of that province as of November 1, 1971.

Claims procedures have been completely re-organized in 1970, and with adequate opening reserves, we anticipate much better results in this area in 1971.

We have every confidence in the soundness of our Company, and thank you for your continued interest and support.

Yours faithfully,



S. R. BERNARDO,
President.

OFFICERS

R. B. Hare, M.D.; F.R.C.S., *Chairman of the Board*
S. R. Bernardo, *President*
R. G. Groom, Q.C., *Vice President*
J. D. McNie, *Vice President*
R. S. Mills, Q.C., *Secretary*
S. M. Fletcher, *Treasurer*
C. A. Blair, *General Manager*

DIRECTORS

S. R. Bernardo	J. D. McNie
J. H. Disher	R. S. Mills, Q.C.
S. M. Fletcher	A. M. Waters
R. G. Groom, Q.C.	J. G. Webb
R. B. Hare, M.D.; F.R.C.S.	P. L. Wilson



ABSTAINERS' INSURANCE COMPANY, 24 Peel Street, Simcoe, Ontario

The only company in Ontario, Manitoba and Alberta providing automobile and fire insurance exclusively to abstainers.